

Managing Canada–U.S. Relations in the Post–9/11 Era

Do We Need a Big Idea?

Donald Barry

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CSIS Americas Program

1800 K Street, N.W.

Washington, D.C. 20006

Phone: (202) 775-3150

Fax: (202) 466-4739

E-mail: vvanni@csis.org

Web site: <http://www.csis.org/>

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Managing Canada-U.S. Relations in the Post-9/11 Era

Do We Need a Big Idea?

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The remarkable growth of Canadian-U.S. economic integration, combined with the security implications of the September 11, 2001, terrorist attacks on the United States, have brought the management of Canada-U.S. relations into sharp focus. The most important challenge facing Canadian decisionmakers is how to respond to the new security environment while ensuring the uninterrupted flow of people and commerce across the 3,989-mile common border. The dimensions of the challenge became apparent in the immediate aftermath of September 11 when the United States temporarily closed its borders in reaction to the attacks. Quick action by the Canadian government led to the “Smart Border Declaration” in December 2001, to secure the border while facilitating the flow of low-risk people and goods. Since then, Ottawa and Washington have been working to flesh out the principles contained in the declaration and to bolster other aspects of their cooperation.

Some observers argue that bolder action is required to deal with U.S. security concerns and protect Canada’s access to the U.S. market. Economist Wendy Dobson proposes that Ottawa strike a “strategic bargain” with Washington that would see Canada support U.S. objectives on border security, immigration, and defense in return for a customs union or common market arrangement.¹ Allan Gotlieb, a leading observer of Canadian-U.S. relations and a former Canadian ambassador to the United States, argues for an integrated approach to trade and

¹ Wendy Dobson, “Shaping the Future of the North American Economic Space: A Framework for Action,” *C.D. Howe Institute Commentary*, no. 162 (April 2002).

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security subsumed within a binding “North American community of law.”² The Canadian Council of Chief Executives (CCCE) calls for the establishment of a coordinated approach to trade, immigration, energy, security, and defense that would transform “the *internal border* into a shared checkpoint within the Canada-United States economic space.”³ The common theme running through these proposals is that security and trade are closely linked and that explicit trade-offs can be made between them.

The “big idea” approach is not new. It extends and formalizes the partnership paradigm that constituted the framework for the management of Canadian-U.S. relations during the early years of the Cold War. This essay explores the history of the concept from its high point during the Cold War, through Prime Minister Brian Mulroney’s attempt to restore the paradigm in the mid-1980s, to efforts to apply it to the current conduct of Canadian-U.S. affairs. The essay argues that the erosion of international conditions sustaining the approach, the proliferation of issues and actors in Canadian-U.S. relations, and institutional changes on both sides of the border limit the application of the concept, and that incrementalism, exemplified in the Smart Border Declaration, provides a sounder basis for the management of the relationship.

The Partnership Paradigm

The partnership paradigm informed the conduct of Canada-U.S. relations during the first two decades after World War II. Created by the Soviet threat, the partnership was managed in a quiet, pragmatic fashion by government elites who held compatible worldviews, were in firm control of their governmental processes, and who were in a position to sustain trade-offs that were crucial to the stability of the relationship. The United States gave Canada favorable economic treatment in return for Canada’s willingness to maintain an open investment climate and contribute to continental and North Atlantic defense.⁴ During the Cold War years, Canada received a variety of concessions from the United States. For example, Washington allowed Marshall Plan recipients to buy Canadian goods with U.S. dollars and exempted Canadian oil from domestic import quotas

² Allan Gottlieb, “A North American Community of Law,” *Ideas That Matter* 2, no. 4 (2003): 25–30.

³ Thomas d’Aquino, “Security and Prosperity: The Dynamics of a New Canada-United States Partnership in North America,” presentation to the annual general meeting of the Canadian Council of Chief Executives, January 14, 2003, www.ceocouncil.ca (hereinafter Security and Prosperity Presentation).

⁴ To be sure, explicit linkages across issue areas were rare, with President Lyndon Johnson’s support for the Autopact Agreement in 1965, reportedly in return for the Pearson government’s role in establishing a UN peacekeeping force in Cyprus being one of the few examples. Rather, the trade-offs generally took the form of contextual linkages wherein each side attempted to accommodate the other’s priorities when it was in a position to do so in the interest of maintaining the partnership. See Robert Bothwell, *Canada and the United States: The Politics of Partnership* (Toronto: University of Toronto Press, 1992), p. 93; and Charles F. Doran, *Forgotten Partnership: U.S.-Canada Relations Today* (Baltimore: The Johns Hopkins University Press, 1984), pp. 20–25, 36–41.

and Canadian softwood lumber from import restrictions. This regime was backed up at the official level by a common “diplomatic culture” that “placed great emphasis on consultation, exchange of information, personal friendship, informal communication, and easy access to points of decision.”⁵ On occasion, bureaucrats prevented issues from arising as a result of misunderstandings at the political level. For instance, U.S. and Canadian officials sidelined a study of the feasibility of bilateral free trade requested by President Dwight Eisenhower in 1953 because of the objections of the St. Laurent government.

By the mid-1960s the Cold War conditions sustaining the partnership approach had begun to erode. Cracks began to appear early in the decade when the Diefenbaker government dragged its feet in putting Canadian forces on alert during the Cuban Missile Crisis and reneged on its commitment to acquire nuclear warheads for its weapons systems. In 1963, the Pearson government imposed a take-over tax on non-resident purchases of Canadian companies, and the Kennedy administration introduced an interest equalization tax on U.S. capital outflows to ease chronic balance-of-payments problems. The Canadian tax was quickly withdrawn and Canada was ultimately exempted from the U.S. measure, but the actions created concern on both sides of the border. The following year the Pearson and Johnson governments commissioned two former senior officials, Arnold Heeney and Livingston Merchant, to study and make recommendations for improving the relationship. Their report, “Principles for Partnership,” which was published in July 1965, called for the “maintenance and strengthening of the partnership,” stressing the importance of “intimate, timely and continuing consultation on all matters of mutual concern.”⁶

The report passed almost unnoticed in the United States, but it was heavily criticized in Canada. Ironically, concern focused on its preference for “quiet diplomacy” rather than the partnership concept that informed it.⁷ However, the partnership paradigm masked a growing Canadian dependence on the United States. In response to emerging pressures, Ottawa took steps to protect key economic and cultural sectors, including banking and broadcasting, although when Washington moved to deal with continuing balance of payments difficulties, Ottawa sought and received exemptions that were not granted to other U.S. allies and trading partners.

By the end of the decade Canadian concerns that the country had become too dependent on the United States were matched by U.S. concerns that the United States had become too generous with its friends and that it ought to take a more self-centered approach to the rest of the world. As both countries began pursuing

⁵ Kal J. Holsti and Thomas Allen Levy, “Bilateral Institutions and Transgovernmental Relations Between Canada and the United States,” in *Canada and the United States: Transnational and Transgovernmental Relations*, ed. Annette Baker Fox and Joseph S. Nye (New York: Columbia University Press, 1971), p. 291.

⁶ U.S. Department of State, *Principles for Partnership: Canada and the United States* (Washington, D.C.: U.S. Department of State, August 1965).

⁷ Donald Barry, “The Politics of ‘Exceptionalism’: Canada and the United States as a Distinctive International Relationship,” *Dalhousie Review* 60, no. 1 (Spring 1980): 125–126.

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more nationalistic policies it became more difficult, or perhaps it no longer seemed necessary, to continue the trade-offs that were central to the partnership approach. In any case, the Trudeau government's decision in 1969 to halve Canadian military forces in Europe doubtless made it easier for the Nixon administration to deny Canada its customary exemption in imposing a 10 percent surcharge in all dutiable imports as part of a major restructuring of U.S. foreign economic policy in August 1971.

Comme les Autres

In 1972, both governments formalized their new approaches. President Nixon declared "that mature partners must have autonomous independent policies," thereby indicating that the United States no longer considered it necessary to give special concessions to Canada.⁸ The Trudeau government said that it would aim to reduce Canada's "vulnerability" to the United States through the "Third Option," consisting of internal measures to strengthen the Canadian economy and culture, and diversification of external economic relations to counterbalance ties to the United States.⁹

Despite the new approaches, economic and cultural linkages between the two countries continued to grow, bringing more issues and interests into play and further complicating the management of the domestic politics of their interaction. In addition, Canadian provinces and especially the U.S. Congress, both of which were highly responsive to their own constituencies, became more visible players. Canada's provincial governments, following the example of Quebec, showed a new determination to exercise their constitutional responsibilities to the full. In the United States, dominance of foreign policy by the executive with the support of a handful of key congressional leaders gave way to a more decentralized system in which a democratized Congress became an increasingly important player. The result was a more open, less predictable legislative process and a tighter connection between domestic and foreign policies. The tradition of close bureaucratic cooperation between Ottawa and Washington was also affected by these developments.

This could be seen clearly by the mid-1970s. In 1974, Prime Minister Pierre Trudeau and President Gerald Ford reaffirmed the importance of effective management of the relationship. But the following year the departing U.S. ambassador to Canada observed that relations had deteriorated during his tenure. He called attention to a growing negative reaction toward Canada in U.S. business and congressional circles as a result of restrictive Canadian policies on television advertising, energy and foreign investment, and Saskatchewan's takeover of U.S.-owned potash operations in the province. Ford and Trudeau as well as U.S. Secretary of State Henry Kissinger and Canadian External Affairs Minister Allan

⁸ Quoted in Roger F. Swanson, ed., *Canadian-American Summit Diplomacy, 1923-1973: Selected Speeches and Documents* (Toronto: McClelland and Stewart, 1975), p. 298.

⁹ Hon. Mitchell Sharp, "Canada-U.S. Relations: Options for the Future," *International Perspectives* (Autumn 1972).

MacEachen challenged the ambassador's characterization, but U.S. Department of State officials endorsed it.¹⁰

The warming trend at the executive level continued under the Trudeau and Carter governments. Similar international outlooks, declining economic prospects, a global energy shortage, and the election of a separatist government in Quebec focused both governments' attention on the benefits of closer relations. But cooperation fell victim to Carter's inability to manage the domestic politics of the conduct of U.S. policy toward Canada, exemplified in the administration's failure to secure Senate ratification of the East Coast fisheries agreement. In the fall of 1980, Canada's ambassador to the United States warned that "the pendulum" had "begun to swing in the wrong direction," coupling this with a call for more U.S. attention to the relationship.¹¹

Relations deteriorated further under the Trudeau and Ronald Reagan governments. The worldviews of Ottawa and Washington had seldom been more different. The Reagan administration's policies were aimed at shoring up U.S. national and continental strength in the face of unsettled global economic conditions and worsening relations with the Soviet Union. The administration sought to do this by reducing government intervention at home and increasing U.S. power abroad. The Trudeau government attempted to focus international attention on the north-south dialogue while simultaneously reducing Canada's dependence on the United States by increasing Canadian control over the economy and expanding ties with Mexico and other oil-producing and newly industrializing countries.

With a decisive victory in the Quebec referendum in May 1980 behind it, the Trudeau government introduced the National Energy Program (NEP), which was designed to restructure economic and political power in Canada and increase Canadian ownership of the U.S.-dominated energy industry, and strengthened the existing Foreign Investment Review Agency (FIRA) that regulated foreign investment in the country. Both actions provoked strong reactions from U.S. energy interests and businesses, their legislators, and the Reagan administration. Canada had its own concerns about U.S. policies, including the handling of the East Coast fisheries treaty, acid rain, and the effects of the Reagan administration's mounting budget deficits. On the international front, the two governments were frequently at odds over East-West relations.

The early tensions gave way to more cooperative relations as the two governments, alarmed by the deterioration, developed a new determination to manage the relationship more effectively. An important sign was the decision of MacEachen and U.S. Secretary of State George Schultz in 1982 to begin quarterly

¹⁰ Barry, "The Politics of 'Exceptionalism'": 130.

¹¹ Canadian Press, "Canada Envoy Chides U.S. Insensitivity," *Calgary Herald*, October 3, 1980, p. D19.

meetings to review the bilateral agenda.¹² After abandoning its nationalistic economic policy in the wake of the global recession of the early 1980s, Ottawa sought sectoral free trade negotiations with the United States, and the Reagan administration responded favorably. The discussions were not successful, but they drew attention to the possibility of concluding a more comprehensive trade agreement.

Reviving the Partnership Paradigm

Trudeau's successor, Brian Mulroney, saw closer trade and investment relations with the United States as the key to Canada's prosperity. He sought to revive the partnership paradigm, offering the United States foreign policy and defense support and more liberal investment laws with the expectation that the Reagan administration would give Canada a sympathetic hearing on economic issues. Good personal relations with the president were seen as crucial.¹³ At their first summit shortly after Mulroney's election in September 1984, the two leaders agreed to meet on an annual basis and maintain the quarterly meetings between the external affairs minister and the secretary of state. Regular summits would continue under Mulroney and Reagan's successor, George Bush, although they would be informal affairs in keeping with the new president's style. However, the quarterly meetings between the Canadian and United States foreign ministers would be discontinued in 1991.

A dramatic improvement in East-West relations made it easier than expected for the Mulroney government to support the Reagan administration's policies. Ottawa temporarily boosted Canada's defense spending and, when it mattered, Mulroney supported or at least did not oppose U.S. actions to protect important interests. Mulroney's government also dismantled the NEP and replaced FIRA with the more liberal Investment Canada. But Reagan, although a strong president, was not able to provide the favorable economic treatment Mulroney sought. Accordingly, maintaining the partnership facade, Ottawa increasingly attempted to exploit Canada's interdependence with the United States while subjecting U.S. power to legal constraint. In September 1985, Mulroney proposed that the two governments begin free trade negotiations. Reagan welcomed the overture, which furthered his long-held goal of closer North American cooperation.¹⁴ But to secure fast-track authority from Congress to negotiate the agreement, he was forced to agree to act on the U.S. lumber industry's complaints about Canadian softwood lumber exports that were comprising an increasing

¹² See Joseph T. Jockel, "The Canada-United States Relationship After the Third Round: The Emergence of Semi-Institutionalized Management," *International Journal* XL, no. 4 (Autumn 1985): 689–715.

¹³ Confidential source. See also L. Ian MacDonald, *Mulroney: The Making of the Prime Minister* (Toronto: McClelland and Stewart, 1984), pp. 304–306.

¹⁴ See Donald Barry, "The Road to NAFTA," in *Toward a North American Community? Canada, the United States, and Mexico*, ed. Donald Barry (Boulder, Colo.: Westview Press, 1995), pp. 3–14.

share of the U.S. market.¹⁵ The Canada-U.S. Free Trade Agreement (CUSFTA), which came into effect in 1989, and its successor, the North American Free Trade Agreement (NAFTA) among Canada, the United States, and Mexico, reached during the Bush presidency and launched in 1994, improved Canada's access to the U.S. market and established dispute settlement arrangements to help check the whimsical application of U.S. trade remedy laws.

The unwillingness of the United States to agree to uniform trade laws because of pressure from special interests and their allies in Congress, however, gave rise to a series of disputes over such issues as softwood lumber and agricultural products that would become a continuing source of friction in the relationship. Moreover, the tendency of U.S. special interests to look to their congressmen and senators for redress in the face of what the special interests charged were unfair Canadian trade practices and the willingness of the legislators to respond escalated the political significance of the disputes. As a result, the disputes became politicized at the official level as well. When Canada successfully challenged unfavorable U.S. trade tribunal decisions, U.S. special interests often refused to accept defeat and persuaded their legislative supporters to change U.S. laws or renew pressure on Canada. The result was that Ottawa and affected Canadian interests, fearing the costs of drawn out battles, in Jeffrey Simpson's words, often were forced into negotiating "a series of strategic retreats."¹⁶ By the time Mulroney left office in June 1993, a public backlash against what many regarded as his excessively close relationship with his U.S. counterparts led his successor, Kim Campbell, to distance herself from the style if not the substance of her predecessor's approach.

Business-like Relations

Prime Minister Jean Chrétien came to office in November 1993 promising to bring a more business-like perspective to the relationship. In a pointed reference to Mulroney's unusually close relations with Reagan and Bush, he observed, "Business is business and friendship is friendship, and the two cannot be confused."¹⁷ Chrétien and President Bill Clinton developed a warm, though less ostentatious, relationship than their predecessors. This was made easier by the fact that their governments shared "a fundamental compatibility" in their foreign and domestic policy outlooks.¹⁸ To be sure, Foreign Minister Lloyd Axworthy's "human security" initiatives on such matters as landmines and the International Criminal Court raised hackles in some quarters in the administration and

¹⁵ G. Bruce Doern and Brian W. Tomlin, *Faith and Fear: The Free Trade Story* (Toronto: Stoddart, 1991), pp. 35–39.

¹⁶ Jeffrey Simpson, "When It Comes to Trade, the Americans Just Never Give In or Give Up," *Globe and Mail*, February 16, 1996, p. A16; confidential source.

¹⁷ Edward Greenspon, "PM Pledges New Style of Rule," *Globe and Mail*, November 5, 1993, p. A1.

¹⁸ John Kirton, "Promoting Plurilateral Partnership: Managing United States–Canadian Relations in the Post–Cold War Period," *American Review of Canadian Studies* 24, no. 4 (Winter 1994): 464.

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Congress. However, the Canadian embassy in Washington, headed by Chrétien's nephew, Raymond Chrétien, worked with the prime minister's foreign policy team to manage differences.¹⁹ Ongoing trade disputes over such issues as softwood lumber proved more difficult to manage. In June 1999, the Chrétien government revisited its strategy for dealing with the United States. It agreed to step up efforts to lobby U.S. legislators by cabinet members and parliamentarians, but follow-up action was limited.²⁰

Meanwhile, in response to growing pressures of trade and travel, Ottawa began pressing Washington for joint measures to improve the management of the border. The first step was taken in 1995 when Chrétien and Clinton signed the "Canada-United States Accord on Our Shared Border" to upgrade customs and immigration cooperation. Two years later they launched a "Border Vision Initiative" to facilitate information sharing and coordination between Canadian and U.S. customs and immigration authorities, and a "Cross-Border Crime Forum" to further cooperation in dealing with organized crime. In 1999, they established a "Canada-U.S. Partnership Forum" to foster dialogue among governments, border communities, and other stakeholders on border management and policies. Although these measures increased bilateral cooperation, according to George Haynal, "resource constraints and the lack of national priority attached to these efforts, kept change within narrow limits."²¹

Management of border relations was also complicated by an emerging U.S. tendency that began with NAFTA to view Canadian-U.S. relations in trilateral rather than bilateral terms. This could be seen in congressional efforts to deal with certain issues by taking a common approach to Canada and Mexico even though there were substantial differences between the United States' southern and northern borders.²² In 1996, Congress passed the Illegal Immigration Reform and Immigrant Responsibility Act, Section 110 of which required all foreigners to be registered when entering or leaving the United States. The provision was aimed at Mexico, but Canada was included reportedly because legislators feared protests from Hispanic-Americans if stronger action were taken against Mexico than Canada.²³ Concerned that the system would lead to gridlock at the Canada-U.S. border, U.S. businesses, border state legislators, and Canadian authorities mounted a sustained lobbying effort to overturn the provision. Matters became complicated when U.S. customs officers arrested Ahmed Ressay, an Algerian living illegally in Canada, in December 1999 as he tried to enter the United States from British Columbia with bomb-making materials in his car. The lobby group

¹⁹ Confidential source.

²⁰ Robert Fife and Giles Gherson, "Cabinet to Intensify Lobbying of Congress," *National Post*, June 30, 1999, p. A1.

²¹ George Haynal, "Interdependence, Globalization and North American Borders," *Policy Options* 23, no. 6 (September 2002): 21.

²² Christopher Sands, "Fading Power or Rising Power: 11 September and Lessons from the Section 110 Experience," in *Canada Among Nations 2002: A Fading Power*, ed. Norman Hillmer and Maureen Appel Molot (Toronto: Oxford University Press, 2002), pp. 49–73.

²³ Drew Fagan, "Canada: Stand on Guard," *Globe and Mail*, December 4, 2001, p. A21.

was ultimately successful, but the incident brought Canadian refugee policy under scrutiny. Canadian officials floated the idea of a perimeter security system that would see the two countries harmonize visa requirements and share intelligence information, and the U.S. ambassador to Canada also mused about a North American security system, but no action was taken.

The election of Vicente Fox as president of Mexico in July 2000 provided more evidence of the changing continental landscape. During his election campaign Fox promoted the concept of a North American community among the three countries. Modeled loosely on the European Union, it would include a common market, a regional development policy, free movement of peoples, and a common currency.²⁴ Fox discussed the scheme with Chrétien in Ottawa the following month. But the prime minister offered no encouragement saying, “We have the United States, which is enormous, and two countries that are much smaller on either side. [I don’t think] we can apply European rules.”²⁵

George W. Bush, the new U.S. president, appeared to have his own North American agenda. To the consternation of some Canadians, he announced shortly after his inauguration in January 2001 that he would make his first foreign visit to Mexico. Canadian authorities arranged for Chrétien to visit Washington just before Bush’s trip. But the priority Bush accorded to Mexico should not have come as a surprise. As former state governors (Bush of Texas and Fox of Guanajuato), the two leaders were well-acquainted and they recognized that there were pressing border problems like immigration that needed to be addressed. Bush also knew that 35 million Spanish-speaking Americans (20 million of whom are of Mexican descent) had become a significant force in U.S. electoral politics. At the end of their meeting, Bush and Fox said that they wanted to work with Canada “to consolidate a North American economic community” that would include a common approach to energy resources—a matter of special interest to the Bush administration.²⁶ In April, Bush, Fox, and Chrétien agreed to create a North American Energy Working Group to explore ways of facilitating North American energy trade, although in Canada’s view, NAFTA made a continental policy unnecessary.²⁷

Shortly thereafter, Paul Cellucci, the U.S. ambassador to Canada, suggested that the three countries expand their ties in a “NAFTA-plus” arrangement that would include harmonized border controls, immigration, law enforcement, energy, and environmental policies. The goal would be to create a security perimeter that would result in more open borders among the three countries. John Manley, the minister of foreign affairs, reacted cautiously, saying that Ottawa

²⁴ April Lindgren, “Fox Seeks Close Ties with Canada,” *Calgary Herald*, July 5, 2000, p. A5.

²⁵ Heather Scofield, “Chrétien Rejects Mexico’s Vision,” *Globe and Mail*, August 23, 2000, p. A1.

²⁶ The White House, Office of the Press Secretary, “Joint Statement by President George Bush and President Vicente Fox Towards a Partnership for Prosperity,” February 16, 2001, www.whitehouse.gov/news/releases/2001/02 (accessed November 18, 2003).

²⁷ Steven Chase, “New Pact on Energy not Needed, Ottawa Says,” *Globe and Mail*, August 6, 2001, pp. A1, A4.

preferred to approach border issues on a bilateral basis by means of administrative changes.²⁸

Aftermath of September 11, 2001

The September 11 Al Qaeda terrorist attacks on New York and Washington elevated security to the top of the U.S. policy agenda. Following the attacks, Washington briefly shut down its airports, seaports, and land borders with Canada and Mexico. When they reopened, detailed inspections by U.S. customs officials resulted in long delays for border traffic, forcing some companies temporarily to close their operations. Prime Minister Chrétien created an Ad Hoc Cabinet Committee on Public Security and Anti-Terrorism, headed by Manley, to map out Canada's policy. He also set the tone for the government's response, declaring that, although Ottawa would stand with Washington in the struggle against terrorism, "the laws of Canada will be passed by the Parliament of Canada."²⁹

However, the government's reaction was complicated by widespread criticism of Canadian security policies by U.S. media outlets and politicians, which were fueled by false reports that the terrorists had entered the United States via Canada. Attorney General John Ashcroft, citing the Ressam case, called the Canada-U.S. border a "transit point" for terrorists and announced plans to strengthen security along the northern border.³⁰ (He later admitted that Canadian officials had provided information leading to Ressam's arrest.³¹)

The Canadian business community called for the creation of a continental security perimeter to exclude potential terrorists. "We have to make North America secure from the outside," said the president of Canadian Pacific Ltd., "We're going to lose increasingly our sovereignty, but necessarily so."³² The Coalition for Secure and Trade-Efficient Borders, consisting of 40 business groups from the manufacturing, transportation, and resource sectors, lent its support to the security perimeter idea, as did the Canadian Chamber of Commerce.³³ Significantly, U.S. businesses, not wanting to be seen as being out of step with Washington's security priorities, were noticeably silent.³⁴

²⁸ Mike Trickey, "U.S. Ambassador Favours Closer Links with Canada," *Calgary Herald*, June 30, 2001, p. A5; Alan Toulon and James Baxter, "Border Divides Liberal Ranks," *National Post*, August 3, 2001, pp. A1, A8.

²⁹ Shawn McCarthy and Campbell Clark, "Canada Will Make Its Own Laws, PM Vows," *Globe and Mail*, September 20, 2001, p. A1.

³⁰ John Ibbitson and Campbell Clark, "Canada and U.S. Tighten Borders," *Globe and Mail*, September 26, 2001, p. A1.

³¹ Daniel LeBlanc, "Canada Praised for Tip to U.S. on Ressam," *Globe and Mail*, December 4, 2001, pp. A1, A13.

³² Murray Campbell and Lily Nguyen, "Security Perimeter Backed," *Globe and Mail*, September 15, 2001, p. A9.

³³ Nancy Hughes Anthony, "U.S. Border-fears Vital for Canadian Business," *Calgary Herald*, October 15, 2001, p. A10; Heather Scofield, "Business Coalition Pushes for Common Border Rules," *Globe and Mail*, December 3, 2001, p. B5.

³⁴ Confidential source.

Manley rejected the security perimeter approach, saying that he preferred to deal with “specific areas of concern” rather than integrate Canada’s policies with those of the United States. “Working closely with the United States does not mean turning over to them the keys to Canadian sovereignty,” he said. Manley added, “Perimeter implies NAFTA... I think it makes the problems, whatever they are, much more complex if you try and do two borders at once.”³⁵ President Bush appeared to agree, telling Chrétien, “You pass your laws; we’ll pass out laws.”³⁶ The goal, as Michael Kergin, Canada’s ambassador to the United States, put it, would be to create a “zone of confidence” that would see the two governments adopt parallel measures that would meet each other’s concerns.³⁷ Border relations with Mexico would be approached in a similar way.

Manley became the point man in discussions with the newly appointed U.S. homeland security adviser, Tom Ridge, with whom he soon developed a close working relationship. As Ridge had not yet assembled his team of advisers, an experienced Privy Council Office Borders Task Force, operating under the direction of Manley’s cabinet committee, took the lead in drafting an action plan to strengthen border security. The draft became the basis of the Smart Border Declaration signed by Manley and Ridge on December 12, 2001.³⁸ The aim of the declaration was to ensure the security of the border and to expedite the movement of low-risk shipments and travelers. The declaration was accompanied by a 30-point Action Plan, which included the development of common biometric identifiers for permanent resident cards and travel documents, expedited clearance for preapproved travelers, visa policy coordination, a safe third country agreement for refugee claimants, prescreening of air passengers, compatible immigration databases, border infrastructure improvements, complementary commercial processing systems, joint posting of customs officers at seaports, integrated border and maritime enforcement, intelligence sharing, and exchange of fingerprint data.³⁹ Ottawa’s December 2001 budget allocated \$7.7 billion (CAN) over five years to improve border infrastructure and enforcement, and \$1.2 billion to boost the country’s military, which had been weakened as a result of earlier budget cuts. Washington committed U.S.\$10.7 billion to improving security along the U.S.-Canada and U.S.-Mexico borders.⁴⁰ In March 2002, U.S. and Mexican authorities signed a “Border Partnership Agreement,” modeled on the Smart Border Declaration.⁴¹

³⁵ Paul Wells, “We Don’t Pull Our Weight: Manley,” *National Post*, October 5, 2001, p. A6.

³⁶ Steven Frank and Stephen Handelman, “Drawing a Line,” *Time* (Canadian edition), October 8, 2001, p. 45.

³⁷ Shawn McCarthy, “Manley Doubts Perimeter Idea,” *Globe and Mail*, October 5, 2001, p. A8.

³⁸ House of Commons Standing Committee on Foreign Affairs and International Trade, *Partners in North America: Advancing Canada’s Relations with the United States and Mexico* (Ottawa: House of Commons, December 2002), pp. 167–168.

³⁹ Government of Canada, “Canada and the United States Sign Smart Border Declaration,” *News Release*, no. 162, December 12, 2001.

⁴⁰ House of Commons Standing Committee on Foreign Affairs, *Partners in North America*, p. 168.

⁴¹ The White House, “U.S.-Mexico Border Partnership Agreement,” March 22, 2002, www.whitehouse.gov/infocus/usmxborder/22points.html (accessed November 18, 2003).

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Canada also made good on its commitment to the war on terrorism, deploying a naval task force to the Persian Gulf as part of U.S.-led sea-based operations against Al Qaeda terrorists and the Taliban government in Afghanistan that sheltered them. In addition, it dispatched a battle group to operate alongside U.S. forces in the country, although the commitment was not renewed beyond the initial six-month tour of duty because Canada's overstretched military was unable to provide a replacement unit. Still, Canada contributed the fourth-largest military contingent to the Afghanistan campaign.⁴²

Although the Smart Border Declaration set an agenda for border management, negotiations were also affected by the determination of the administration and Congress to forge ahead with U.S. security priorities. President Bush's 2002 budget requested funding for a revived system by 2005 to record the entry and exit of all foreigners arriving in and departing from the United States. The measure became law in May 2002, after Congress passed the Enhanced Border Security and Visa Entry Reform Act.⁴³ But by the summer of that year there were signs that the step-by-step approach set out in the Smart Border Declaration was gaining currency, although some U.S. measures would provoke controversy.⁴⁴

When Manley and Ridge met to review progress in late June they noted advances in intercepting high-risk travelers, the deployment of fast-track programs for low-risk travelers (NEXUS) and commercial shipments (FAST), intelligence sharing, and the establishment of joint customs teams at Canadian and U.S. ports. They also initialed a "Safe Third Country Agreement" to prevent asylum shopping by requiring refugee seekers to make their claims in whichever of the two countries they entered first.⁴⁵ Progress was sufficiently encouraging that when the Global Business Forum called for closer North American integration, Ambassador Cellucci offered no support, saying that the debate "on whether we need to have a more formal economic union like Europe, whether we need the border or we should have a monetary union...those are big questions that

⁴² Department of Foreign Affairs and International Trade, "Canada's Actions Against Terrorism Since September 11th—Background," October 10, 2002, www.dfait-maeci.gc.ca/can-am/menu-en.asp?act=v&mid=1&cat=1&did=1250 (accessed January 9, 2003).

⁴³ Lisa M. Seghetti, "Border Security: U.S.-Canada Border Issues," Congressional Research Service Report for Congress, July 8, 2002, www.usembassycanada.gov/content/can_usa/border_crs_070802.pdf (accessed November 18, 2003).

⁴⁴ Perhaps the most notable example was the introduction of the U.S. National Security Entry-Exit Registration System (NSEERS), which required citizens of Canada and other countries or dual nationals born in Iran, Iraq, Libya, Sudan, and Syria to be photographed, fingerprinted, and interviewed when entering the United States. The zealous application of the law by U.S. immigration inspectors drew charges of racial profiling and prompted Ottawa to issue a travel advisory to affected Canadians. Washington subsequently modified the policy so that place of birth would no longer automatically trigger a special interrogation. Elizabeth Thompson, "Racial Profiling by U.S. Denounced," *Calgary Herald*, October 31, 2002, p. A4; Mike Trickey, "U.S. Backs Down on Security Plan," *Calgary Herald*, November 1, 2002, p. A4.

⁴⁵ Campbell Clark, Es tanislao Oziewicz, and Tu Thanh Ha, "Canada-U.S. Agree to 'Safe Third Country' Refugee Pact," *Globe and Mail*, June 29, 2002, pp. A1, A4.

involve sovereign issues and I do not want the progress we are making on a smart, secure border to get held up because of this.”⁴⁶

In December 2002, Manley and Ridge announced that the Smart Border Declaration would be expanded to include such measures as the sharing of airline passenger lists and other forms of intelligence, exchange of criminal files by the RCMP and the FBI, and joint Canada-U.S. customs facilities and databases.⁴⁷ In addition, Canadian and U.S. defense authorities established a Binational Planning Group that gave the Canadian military a link to the recently created Northern Command (Northcom). Northcom was part of a U.S. internal military reorganization to command U.S. forces responsible for defending the United States, Canada, Mexico, and parts of the Caribbean. The planning group was charged with developing contingency plans for Canada-U.S. responses to terrorist attacks and other crises, and with coordinating maritime surveillance and intelligence sharing. The arrangement would also allow Canadian and U.S. forces to cross the border in emergency situations with the permission of the host government.⁴⁸

As well, Ottawa appeared to be abandoning its earlier misgivings about participating in the Bush administration’s planned ballistic missile defense system. Russia’s apparent acquiescence in the abrogation of the 1972 Anti-Ballistic Missile treaty reportedly eased Canadian fears that the system would undermine international arms control efforts. The government was also concerned that unilateral deployment by the United States would usurp the surveillance and warning functions of the North American Aerospace Defense Command (NORAD), the joint military command structure responsible for protecting the two countries against air and space attack.⁴⁹

However, a widely reported FBI alert for five men of Middle East descent, who allegedly entered the United States from Canada with fake documents shortly before Christmas 2002, led to new charges of inadequate Canadian security by U.S. media and congressional circles. The alert turned out to be based on false information and was subsequently withdrawn. And U.S. cabinet members including Secretary of State Colin Powell, Homeland Security Secretary Ridge, and Attorney General Ashcroft expressed confidence in Canadian procedures. Still the episode showed that there were lingering perceptions that Canadian

⁴⁶ Angelo Persichilli, “Cellucci Says Canada-U.S. Relationship ‘A Role Model for the World,’” *Hill Times*, October 7, 2002, p. 14.

⁴⁷ Department of Foreign Affairs and International Trade, “Governor Ridge and Deputy Prime Minister Manley Issue One-Year Status Report on the Smart Border Action Plan,” December 6, 2002, www.dfait-maeci.gc.ca/can-am/menu-en.asp?act=v&mid=1&cat=10&did=1671 (accessed December 17, 2002).

⁴⁸ U.S. Department of Defense, “Unified Command Plan Responsible for the U.S., Canada, and Mexico and Parts of the Caribbean,” *News Release*, no. 188-02, April 17, 2002; Department of National Defence, “Enhanced Canada-U.S. Security Cooperation,” *News Release* BG-02.041, December 9, 2002.

⁴⁹ Daniel LeBlanc, “Canada Open to Missile-shield Discussions,” *Globe and Mail*, December 10, 2002, p. A4; Daniel LeBlanc, “Canada Gets Short Shrift at NORAD,” *Globe and Mail*, May 31, 2003, p. A5.

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security was lax and that there would be substantial pressure on U.S. authorities to take strong measures on the northern border if a real terrorist threat by way of Canada ever materialized.⁵⁰

The Canadian government's handling of relations with the United States came under more scrutiny in March 2003 when Chrétien declared that Canada would not join the U.S.-led war against Iraq without the backing of the UN. Business interests were especially alarmed by the government's action and a series of anti-American outbursts from members of the governing party, which they feared would damage relations with the United States. "If Americans don't see us as a close ally, they will want to treat us as something else," said Tom d'Aquino, head of the Canadian Council of Chief Executives. "The question is, what is the something else?"⁵¹ The business community's fears appeared to be confirmed when Ambassador Cellucci, on instructions from the White House, publicly criticized Canada for not supporting the United States in the war.⁵² The speech paralleled similar criticism of the Mexican government's lack of support by the U.S. ambassador to that country. In follow-up comments, Cellucci rebuked the government for not repudiating MPs, including the minister of natural resources, for personal attacks on President Bush, and warned that "short-term strains" could result.⁵³ The White House appeared to lend substance to the ambassador's admonitions in mid-April when it announced that Bush had decided to cancel a planned visit to Ottawa that was to take place on May 5. Cellucci pointedly noted that the visit would have occurred had Canada participated in the war.⁵⁴

Meanwhile, early in April, 100 of Canada's top business leaders traveled to Washington under the auspices of the Canadian Council for Chief Executives in an attempt to mend fences with the Bush administration. But it quickly became apparent that, although Canadian-U.S. relations were strained, the economies of the two countries were so closely intertwined that reprisals would be very difficult to undertake. As Richard Perle, a member of Secretary of Defense Rumsfeld's Defense Policy Board and an outspoken critic of Canadian policy, put it, "even if people wanted to be punitive...it could damage us as well."⁵⁵ Underscoring the fact that relations between the two countries were operating effectively despite the chill at the top, Cellucci revealed that Canadian citizens would be exempted from the planned U.S. entry-exit registration system—a long-sought Canadian objective. And returning to a central theme in the Bush administration's policy, he

⁵⁰ Sheldon Alberts, "Canada Needs to Fix Image in U.S.: Liberals," *National Post*, January 9, 2003, p. A11.

⁵¹ Eric Reguly, "Iraq Stance Will Burn Canada," *Globe and Mail*, March 20, 2003, p. B2.

⁵² A. Paul Cellucci, speech by U.S. ambassador to Canada to the Economic Club of Toronto, Toronto, March 25, 2003.

⁵³ Gloria Galloway, "U.S. Envoy Scolds Canada," *Globe and Mail*, March 26, 2003, p. A1.

⁵⁴ Canadian Press, "Envoy Links Bush Snub to War Policy," *Toronto Star*, April 17, 2003, p. A15.

⁵⁵ Sinclair Stewart, "Rift Over Iraq Expected to Heal," *Globe and Mail*, April 7, 2003, p. A1.

reasserted interest in working with Canada and Mexico to establish a North American energy market.⁵⁶

The following month, however, the prime minister himself joined in the criticism of the Bush administration, pointedly referring to Washington's rising deficit and its impact on the global economy and contrasting the administration's stands on social policy issues with those of his government.⁵⁷ The prime minister's comments brought a sharp response from Condoleezza Rice, U.S. national security adviser, who warned that it would "take some time" to repair the damage caused by the attacks on the administration.⁵⁸ But underlining the Chrétien government's paradoxical habit of criticizing the administration while cooperating with it on most issues, Ottawa announced that it would begin discussions with Washington on Canada's possible participation in ballistic missile defense.⁵⁹

Future Directions

The events of the post-September 11 period have also focused attention on the future management of the relationship. Canadian officials have developed a proposal to expand Canada-U.S. cooperation by building on the Smart Border Declaration. An early version of the plan entitled "Securing Growth: Beyond the Border Accord," called for greater use of mutual recognition agreements for the testing, labeling, and inspection of goods, review of rules of origin requirements, removal of all impediments to trade in energy, common approaches to World Trade Organization (WTO) safeguards exemptions, expediting cross-border travel in the business and transportation sectors, and protection of infrastructure, including telecoms and computer networks, energy transmission, electronic commerce, nondiscriminatory procurement, the environment, and long-term planning. A related proposal envisaged the creation of a single North American market for steel that could be extended to other sectors. U.S. officials expressed interest in the suggestions, but, significantly, they want Mexico to be part of follow-up consideration.⁶⁰

⁵⁶ Shawn McCarthy, "U.S. Plans Border Exemption for Canada," *Globe and Mail*, April 17, 2003, p. A1; Shawn McCarthy, "Forgive, Forget; It's Good for Business," *Globe and Mail*, April 18, 2003, pp. A1, A6.

⁵⁷ Robert Fife, "Chrétien Says He's Better than Bush," *National Post*, May 28, 2003, pp. A1, A11.

⁵⁸ Peter Morton, "It Will Take Some Time to Mend This Fence," *National Post*, May 31, 2003, p. A1.

⁵⁹ Aileen McCabe and Robert Fife, "Ottawa Opens Up to Missile Talks," *Calgary Herald*, May 30, 2003, pp. A1, A9. (David Frum, Christopher Sands, and others have argued that the Chrétien government's grudging cooperation with the Bush administration has not earned it any credit with Bush. See, for example, David Frum, "Why Mulroney Gets Bush's Red Carpet," *National Post*, December 14, 2002, p. A24.).

⁶⁰ Graham Fraser, "Plan Would Give U.S. a Say in Our Energy," *Toronto Star*, January 9, 2003, pp. A1, A17; Drew Fagan, "Is It Time for a Summit?" *Globe and Mail*, January 14, 2003, p. A15; Steven Chase and Greg Keenan, "Canada, U.S. Consider One Steel Market," *Globe and Mail*, February 1, 2003, p. B2. (U.S. and Mexican officials are currently discussing a "Partnership for Prosperity" initiative that would encourage investment in regions in Mexico that have not been

Critics contend that only a grand bargain can address U.S. security concerns and protect Canada's access to the U.S. market. They argue that the Smart Border Declaration, though important, was the "personal accomplishment" of Deputy Prime Minister John Manley and Homeland Security Secretary Tom Ridge. Manley and Ridge are not permanent appointees and, in any case, management of the border requires a stronger basis than administrative interpretation, which is vulnerable to the uncertainties of politics and unforeseen crises.⁶¹ Moreover, as Wendy Dobson sees it, "Small ideas or temporizing will get lost in the highly diffused (and highly focused) U.S. political system. Staying with the status quo will see our sovereignty eroded when we are forced to react to, rather than shape, our assertive neighbor's initiatives."⁶² Given its stake in the outcome, Tom d'Aquino asserts, the business community must take the lead in building support for a new paradigm as it did in the 1980s when it campaigned for a Canada-U.S. free trade accord.⁶³

Although they share many similarities, the various grand bargain schemes differ in some respects. Dobson's big idea would see Canada improve border security, tighten immigration policy, accelerate energy and resources development, and increase contributions to continental defense in exchange for expanded access to the U.S. market in the form of a customs union or common market. This would be managed by "functional cooperative mechanisms." Dobson discounts the possibility that increased cooperation would undermine Canada's distinctiveness, arguing that the two countries would be equal partners. "Harmonization may be proposed, but the other partner has a say in whether the proposal is accepted," she contends.⁶⁴ Gotlieb's North American community of law would subject political power to the rule of law in Canada-U.S. relations. It would include binding rules for the free movement of people, goods, and investment, a common security perimeter, a customs union, mutual recognition arrangements, abolition of trade remedy laws, and increased defense cooperation.⁶⁵ The North American Security and Prosperity Initiative, championed by the Canadian Council of Chief Executives, seeks to deepen economic and security cooperation between Canada and the United States with Mexico joining in when it is in a position to do so. Closer ties would be

helped by NAFTA in order to reduce the flow of migrants to the United States.) Marcela Sanchez, "Too Late for Bush to Help Fox?" *Washington Post*, January 23, 2003, www.washingtonpost.com/ac2/wp-dyn/A34197-2003Jan23?language=printer (accessed November 20, 2003).

⁶¹ Canadian Council of Chief Executives, "The North American Security and Prosperity Initiative: Background, Questions and Answers," March 2003, p. 8, <http://www.ceocouncil.ca/English/Publications/reports/apr3-03.pdf> (accessed November 18, 2003).

⁶² Wendy Dobson, "Trade Can Brush in a New Border," *Globe and Mail*, January 21, 2003, p. A15.

⁶³ Canadian Council of Chief Executives, "Security and Prosperity: Toward a New Canada-United States Partnership in North America," January 2003, pp. 1-2, <http://www.ceocouncil.ca/English/Publications/reports/jan-2003.pdf> (accessed November 18, 2003).

⁶⁴ Dobson, "Shaping the Future of the North American Economic Space," p. 29.

⁶⁵ Gotlieb, "A North American Community of Law," pp. 25-30.

accomplished through regulatory harmonization and mutual recognition of standards, a comprehensive resource pact, and an increased emphasis on continental security and defense. The initiative stops short of calling for a customs union, a common currency, or supranational institutions, although it does recommend that a voluntary North American identity card be adopted. Joint commissions, modeled on the Canada-U.S. International Joint Commission (IJC), would facilitate policy coordination and resolve disputes.⁶⁶ But all three proposals are based on the assumption that only an integrated approach to economic and physical safety can provide an effective basis for managing Canada-U.S. relations.

It is highly unlikely that a grand bargain could be achieved or that it would be in Canada's interest. As the Conference Board of Canada observes, the sheer size and complexity of the Canada-U.S. relationship "would make one sweeping 'grand bargain' extremely difficult to negotiate." It is not clear, for example, "how trade-offs could be negotiated in practice on issues as different as a missile defense system and fisheries." Negotiations "would have to be broken down into more manageable parts," and deals struck would reflect the relative bargaining strengths of the two countries.⁶⁷ Above all, it is far from certain what actions Ottawa could take to increase border security that would cause Washington to forego its own measures. Kathleen Macmillan says, "The big worry about big ideas is that we will end up capitulating in areas where we pay a price in terms of our policy sovereignty only to find out that, down the road, the U.S. remains unsatisfied."⁶⁸ Furthermore, it is very unlikely that Ottawa and Washington would be willing to hand over control of politically sensitive issues to International Joint Commission-like institutions. The two sides have used the IJC to make recommendations and decisions on matters of a technical nature, but they have not been prepared to extend this to more complicated policy issues.⁶⁹

Moreover, as Prime Minister Mulroney discovered when he attempted to revive the partnership paradigm in the 1980s, although U.S. presidents continue to play an indispensable role in the management of the relationship, they no longer have the necessary leverage vis-à-vis Congress to implement the trade-offs that are central to the approach. Issues such as trade remedy laws that were not resolved in the Canada-U.S. and North American free trade agreements when circumstances were relatively favorable would be even harder to settle in today's difficult trade environment. Nor is there any evidence that U.S. special interests and their legislative allies would be more willing to compromise on such matters if the agenda were broadened to include border security and transit. For example, border state legislators, who have been Canada's traditional allies on

⁶⁶ Security and Prosperity Presentation, p. 11.

⁶⁷ David MacDuff, *Course Correction: Advice on Canada's Future Foreign Policy* (Ottawa: The Conference Board of Canada, 2003), pp. 6–7.

⁶⁸ Proceedings of the Standing Senate Committee on Foreign Affairs, Issue 2: Evidence, February 3, 2003, http://www.parl.gc.ca/37/2/parlbus/commbus/senate/come-FORE-E/02eva-e.htm?Language=E&Parl=37&Ses=2&comm_id=8 (accessed November 20, 2003).

⁶⁹ Doran, *Forgotten Partnership*, pp. 12–13.

transboundary issues, are now among the most vocal supporters of strong U.S. security measures. As Barrie McKenna put it, “It’s hard to imagine what would make any of these people embrace a plan to virtually do away with the border.”⁷⁰

In addition, unlike Reagan, Bush appears to have little interest in big ideas for the Canada-U.S. relationship. In any case, it would be difficult politically for the United States to deepen ties with Canada without involving Mexico. Although relations with the Mexican government, like those with Canada, have been strained because of Mexico’s refusal to support the war against Iraq, the Bush administration needs a good relationship with the Fox government to advance its own goals, including energy security, and increase its support among Hispanic-American voters. However, differing issues and levels of engagement among the three countries probably will preclude elaborate, formal arrangements in the near future. What we are more likely to see is a series of overlapping bilateral initiatives that could lay the groundwork for expanded trilateral cooperation.

The foregoing suggests that a pragmatic, step-by-step approach would provide a more workable basis for the management of Canada’s relations with the United States than the grand bargain alternative. Building on the success of the Smart Border Declaration, Canadian policymakers should continue their efforts to improve border infrastructure and enhance the compatibility of Canadian and U.S. regulatory systems, formalizing understandings reached when possible.⁷¹ They should also continue to engage their U.S. counterparts at an early stage when decisions affecting Canada are taken. It makes good sense to come to the table sooner, when policies are in their formative stage, rather than later, after positions have hardened and the likelihood of change is reduced.

In addition, given the reluctance of the United States to set aside its trade remedy laws, the Canadian government should persist in its efforts to challenge their application at the international level, as Canada is doing in the WTO on softwood lumber. It is preferable to resolve Canadian-U.S. trade disputes on the basis of multilateral rules rather than bilateral negotiations, the outcome of which is often determined by sheer power and shifting national standards.⁷²

Moreover, Ottawa should continue to build up its defense capabilities both because it is in its own interest to do so and to strengthen U.S. confidence in its policies. Balancing Canadian priorities with those of the United States is not an easy task. However, Ottawa could begin by avoiding open-ended arrangements that could prove costly and lead to exaggerated expectations of policy concurrence and future policy controversies. For example, Dwight Mason has proposed that Washington make specific suggestions about what it would like

⁷⁰ Barrie McKenna, “Canadian CEOs’ Border Vision Unlikely to Fly in Nervous U.S.,” *Globe and Mail*, January 17, 2003, p. B7.

⁷¹ See John Manley’s comments in Drew Fagan, “Manley Urges Firm Security Ties with U.S.,” *Globe and Mail*, September 11, 2003, p. A10.

⁷² Charles A. Barrett and Hugh Williams, *Renewing the Relationship: Canada and the United States in the 21st Century* (Ottawa: The Conference Board of Canada, 2003); and Standing Senate Committee on Foreign Affairs, *Uncertain Access: The Consequences of U.S. Security and Trade Actions for Canadian Trade Policy, Volume 1* (Ottawa: The Senate of Canada, June 2003).

Canada to do. Ottawa might consider what contributions it would be prepared to make.⁷³

Finally, Ottawa should take steps to curb the anti-American rhetoric coming from its side in recent months. Not only is it unhelpful, but also U.S. tolerance levels are not what they once were. New outbursts could dissipate whatever goodwill Canada enjoys in U.S. governing circles.

⁷³ Dwight N. Mason, "Canada and the Future of Continental Defense: A View from Washington," in *Policy Papers on the Americas* XIV, No. 10 (Washington, D.C.: CSIS, 2003), p. 9.

About the Author

DONALD BARRY is a professor of political science at the University of Calgary. He holds a BA from St. Francis Xavier University, an MA from Dalhousie University, and a PhD from Johns Hopkins. His books include *Canada's Department of External Affairs: Coming of Age, 1946–1968*, with John Hilliker (1995); *Toward a North American Community? Canada, the United States, and Mexico* (1995); *Regionalism, Multilateralism, and the Politics of Global Trade*, with Ronald C. Keith (1999); and *Icy Battleground: Canada, the International Fund for Animal Welfare, and the Seal Hunt* (forthcoming).